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Finance minutes 09/19/2013

Finance Committee

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UMM Finance Committee Minutes

9.19.2013

Members Present: Brad Deane, Michael Korth, Dennis Stewart, Sam Fettig, Sara Haugen, Pieranna Garavaso, Mary Zosel, Timna Wyckoff, Lowell Rasmussen, Ellery Wealot, Laura Thielke

Members Absent: Gwen Rudney

Guests: Colleen Miller, Melissa Wroblewski-Note Taker

1. Approval of minutes:

Corrections were requested and made to the 9/5/13 minutes. Committee approved the amended minutes for 9/5/13.

2. FY14 Budget – Presentation by Colleen

Colleen was asked to describe the final FY14 budget and how it may have changed since the committee last discussed the FY14 budget in February.

Colleen provided three handouts for this discussion.

- a) The first hand out showed the O & M funds distributed from the Budget Office. She pointed out that the items in yellow were approved amounts from the Budget Office. There was a column to the right of the highlighted numbers that showed the numbers UMM was responsible for and that the current allocation of O & M funds would not cover. This included recurring items totaling (\$579,000) that UMM is responsible for finding resources to cover.
- b) The second handout Colleen provided was an updated version of Linc's Model. The previous version of this model was handed out last February when this committee discussed the FY14 budget. This schedule shows all UMM funds and the differences between the FY14 Preliminary Budget and the FY14 Approved Budget. The approved budget has expenditures exceeding resources by (\$1,490,565). Colleen also went on to mention that even though these are the approved budget amounts, it does not mean that this is necessarily what we will spend. We already know that actual enrollment is higher than what was budgeted, resulting in more anticipated revenue. This doesn't mean that we will have more funds left over at the end of the year though. We have to wait and see how the other terms do in relation to enrollment and see how our expenses follow the budget.
- c) The third handout Colleen provided was a schedule showing activity projected in the Contingency Reserve for FY14. The Committee did not have time to get into detail about this information, but it does include the (\$579,000) transfer to balance the budget for FY14 and shows how it will affect the Contingency balance.

Question and issues that arose from the FY14 budget presentation included the following:

- Why are the Utility and Repairs & Maintenance expenses listed on the second handout so high in comparison to the preliminary budget? If the budgeted amounts are higher in one area, then they should be budgeted less in another area correct?
 - Colleen responded that the reason for the Utilities variance between the two numbers was due to internal loan payments made as transfers out for our ESCO Contracts and financing for the wind turbines. The Repairs & Maintenance variance is due to departments using this account for any funds left over after other expenditures have been budgeted or if there is a plan to use carry forward funds. That is what is causing the inflation in that number, and what is taking some people by surprise. Carry-forward balances are not included in the total revenue numbers.
- When we budget for revenue, are the numbers based off enrollment? If so, are we able to keep the extra funds generated when enrollment exceeds projections or does Central get them? (Second handout)
 - Yes, we use a number of students enrolled to project tuition revenue. In the past, if we have exceeded the target number for tuition, we have been able to keep the funds, but that doesn't mean that we will always be able to. If Central sees that we have exceeded our projected revenue due to higher enrollment rates, they may use some of those funds to balance our budget and reduce our O & M since we would be showing that we have enough funds to cover our expenses.
- Why are we concerned more with the (\$579,000) deficit listed on the first handout, instead of the (\$1,490,565) stated in the second handout?
 - The (\$1.4M) shows that we are projected to spend that amount more than the revenue we show for the current year. UMM has a positive carry forward balance that we will draw from to cover the net deficit. What the (\$579,000) shows is that after summing all the revenues and reoccurring expenses the campus projects to have for the fiscal year, we are short by that dollar amount. This is a structural problem in recurring funds. We have to figure out a way to save at least this amount throughout this fiscal year in order to not use the contingency funds again to balance our budget. We need to figure out how to balance our actual revenues and expenses each year, and not have to use the contingency to do so. This is something we need to work on implementing this year.
- Was the \$291,000 on the first handout us cutting our Administrative costs?
 - The exercise of reducing Administrative Costs has not stopped, it is ongoing. The \$291,000 for FY14 was a reduction in Administrative and Mission Support positions. President Kaler is looking to cut \$15 million in Administrative expenses in FY14 and another \$15 million each year after that for the next five years, until we reach his goal of a \$90 million reduction in Administrative costs for the entire University.

- What has happened with the campus goal of saving \$665,900?
 - Steps were taken to achieve the saving of \$291,000 this fiscal year through retirements and replacements at a lower salary. We are still attempting to reduce compensation costs. This fiscal year we thought some might possibly retire that didn't. Some things are out of our control, but we need to come up with ways to start reducing costs in the budget.

- Is our Contingency fund growing?
 - If you look at the third handout you can see that yes, it did grow by about \$25,000 last year, but it is not growing at a rate that will keep pace with the amounts needed to balance the budget in the last two years.

There were more questions but time ran out. We will continue this discussion at the next meeting, then go on to discuss FY13 financial results.

Meeting adjourned.

Next meeting is October 3rd, 2013 in the Moccasin Flower Room at 8am.